

**REPORT OF THE AUDIT OF THE
BOONE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOONE COUNTY SHERIFF

**For The Year Ended
December 31, 2006**

The Auditor of Public Accounts has completed the Boone County Sheriff's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Boone County Sheriff had total revenues of \$15,618,220 and total expenditures of \$83,584, resulting in net revenues of \$15,534,636. Total revenues increased by \$1,015,631, and total expenditures decreased by \$2,377 from the prior year. The Sheriff paid 75% of net revenues to the Sheriff's operating fund in the amount of \$14,854,331. This was an increase of \$846,023 from the prior year. The Sheriff paid 25% of net revenues to the Boone County Fiscal Court in the amount of \$680,305. This was an increase of \$171,985 from the prior year.

Operating Fund (75%) – The Sheriff's beginning fund balance as of January 1, 2006 totaled \$(1,904,773). Total revenues were \$14,854,331 and total expenditures were \$12,940,911, leaving an ending fund balance as of December 31, 2006 of \$8,647. This balance was paid to the Boone County Fiscal Court from the County Fees Branch on July 12, 2007.

County Fund (25%) – Total revenues of \$680,305 were deposited and transferred to the Boone County Treasurer for the calendar year 2006.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS	3
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS.....	5
NOTES TO THE FINANCIAL STATEMENTS	7
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Michael A. Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Boone County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2006. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 11, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Michael A. Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Boone County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 11, 2008

BOONE COUNTY
MICHAEL A. HELMIG, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

Federal Grants:

Universal Hiring Supplemental Grant	\$ 6,082	
Highway Safety Grant	26,558	
Edward Byrne Memorial Justice Assistance Grant	<u>18,001</u>	\$ 50,641

Federal Fees For Services:

Department of Justice	36,871	
US Customs	<u>19,449</u>	56,320

State Grants:

Kentucky Law Enforcement Foundation Program	490,837	
Law Enforcement Service Fee Grant	7,523	
Kentucky Community Preparedness Grant	<u>10,000</u>	508,360

State Fees for Services:

Finance and Administration Cabinet		435,383
------------------------------------	--	---------

Circuit Court Clerk:

Fees/Fines Collected		13,170
----------------------	--	--------

Fiscal Court		10,767,000
--------------	--	------------

County Clerk		4,602
--------------	--	-------

Commission on Taxes		2,972,093
---------------------	--	-----------

Fees Collected for Services:

Auto Inspections	79,185	
Accident and Police Reports	33	
Serving Papers	131,184	
Boone County School	49,465	
Carrying Concealed Deadly Weapon Permits	29,530	
Sheriff's Penalty and Advertising Fees	183,273	
Other Police Services	<u>5,758</u>	478,428

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
MICHAEL A. HELMIG, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES – REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Revenues (Continued)

Other Revenues:

Impound	\$	3,217	
Employee Share Health Insurance		118,789	
Service Charge - Ordinance #03-07		62,700	
Court Ordered Payments		1,442	
Miscellaneous		51,383	\$ 237,531

Interest Earned		94,692
-----------------	--	--------

Total Revenues		15,618,220
----------------	--	------------

Expenditures

Payments to State:

Carrying Concealed Deadly Weapon Permits		19,445
--	--	--------

Payments Made To County:

Service Charge - Ordinance #03-07		62,700
-----------------------------------	--	--------

Other Expenditures:

Bank Service Charges		1,439
----------------------	--	-------

Total Expenditures		83,584
--------------------	--	--------

Net Revenues		15,534,636
--------------	--	------------

Payments to State Treasurer:

75% Operating Fund	14,854,331	
25% County Fund	680,305	15,534,636

Balance Due at Completion of Audit		\$ 0
------------------------------------	--	------

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
MICHAEL A. HELMIG, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2006

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2006	\$ (1,904,773)	\$	\$ (1,904,773)
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	14,854,331		14,854,331
Fees Paid to State - County Funds (25%)	<hr/>	680,305	680,305
	<hr/>	<hr/>	<hr/>
Total Funds Available	12,949,558	680,305	13,629,863
<u>Expenditures</u>			
Boone County Government		680,305	680,305
Personal Services-			
Official's Statutory Maximum	97,899		97,899
Deputies' Salaries	6,852,054		6,852,054
Part-time Salaries	629,048		629,048
Office Staff Salaries	446,587		446,587
Resource Officers' Salaries	429,885		429,885
KLEFPF	403,832		403,832
Employee Benefits-			
Social Security	618,109		618,109
Retirement	60,288		60,288
Hazardous Duty Retirement	2,175,850		2,175,850
Health Insurance	67,148		67,148
Other Payroll Expenditures	44,166		44,166
Contracted Services-			
Advertising	10,385		10,385
Vehicle Maintenance and Repairs	513,841		513,841
Maintenance Agreements	9,319		9,319
Attorney Retainer	9,491		9,491
Other Contracted Services	2,132		2,132

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
MICHAEL A. HELMIG, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Supplies and Materials-			
Office Materials and Supplies	\$ 23,651	\$	\$ 23,651
Uniforms/Equipment	325,712		325,712
Data Processing	13,041		13,041
Deputy Expenses/Training	23,257		23,257
Transporting Prisoners	119,333		119,333
Other Charges-			
Merit Board	1,378		1,378
Dues	4,785		4,785
Postage	17,048		17,048
D.A.R.E.	1,926		1,926
Medical Supplies	2,026		2,026
General Utilities/Rentals	38,720		38,720
Total Expenditures	12,940,911	680,305	13,621,216
Fund Balance - December 31, 2006	\$ 8,647	\$ 0	\$ 8,647
	*		

* Amount paid to Boone County
Fiscal Court from County Fees
Branch on July 12, 2007

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2006
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent for the first six months and 28.21 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006
(Continued)

Note 4. Additional Bank Accounts of the Boone County Sheriff

The Sheriff also maintains the following bank accounts:

- A. Informant Account - This account consists of money obtained through drug forfeitures and seizures. During 2006, the account had a beginning balance of \$611, receipts of \$3, and no expenditures. The balance as of December 31, 2006 was \$614.
- B. Equipment Account - This account consists of money received from Sheriff's sales and court judgments. This money is to be used for equipment purchases. The account had a beginning balance of \$5,545, receipts of \$20,142, and expenditures of \$17,571. The ending balance as of December 31, 2006 was \$8,116.
- C. Federal Shared Proceeds Account - This account consists of money received from the Federal Government for various cases. It is to be used for employee training. For 2006, the account had a beginning balance of \$108, with no receipts and no expenditures. The ending balance as of December 31, 2006 was \$108.
- D. Federal Forfeitures Account - This account consists of money received from the Federal Government for various cases involving the Sheriff's Deputies working for the DEA. It is to be used for equipment and employee training. During 2006, the account had a beginning balance of \$59,112, receipts of \$298,854, and expenditures of \$165,665. The ending balance as of December 31, 2006 was \$192,301.
- E. Chaplain Account - This account consists of money received from the Boone County Human Services. It is to be used for destitute individuals. During 2006, the account had a beginning balance of \$597, receipts of \$15, and expenditures of \$602. The ending balance as of December 31, 2006 was \$10.
- F. Flexible Spending Account - The Boone County Sheriff's Department established a Flexible Benefit Plan for its employees. This plan allows for pre-tax salary reductions for dependent care and health premiums. The Flexible Spending Account was created to handle all funds related to the plan offered by the Sheriff's Department. During 2006, the account had a beginning balance of \$545, receipts of \$0, and expenditures of \$0. The ending balance as of December 31, 2006 was \$545.
- G. Payroll Account - This account was created by the Boone County Sheriff's Department to process payroll checks for the Sheriff's Department. After the Sheriff's Department adopted KRS 64.345, "Counties having population of \$70,000 or more," salaries of each officer, his deputies, assistants, and his office expenses shall be paid semi-monthly by the State Treasurer upon the warrant of the Finance and Administration Cabinet. This account still has outstanding checks and will remain open until all checks are cleared or the allotted time has passed and funds are given to the State as unclaimed funds. During 2006, the account had a beginning balance of \$500, receipts of \$0, and expenditures of \$0. The ending balance as of December 31, 2006 was \$500.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006
(Continued)

Note 4. Additional Bank Accounts of the Boone County Sheriff (Continued)

- H. Cadet Program Account – The Cadet Program Account is an account that was created by the Boone County Police Department. The Boone County Police Department was merged into the Boone County Sheriff's Department, and the funds were then turned over to the Sheriff's Department at that time. This account has remained dormant since the merger with a balance of \$991.

Note 5. Grants

A. Governor's Highway Safety Program

The Boone County Sheriff's office was awarded a Highway Safety Grant in 2004. During the year ended December 31, 2006, grant funds in the amount of \$26,558 were received, and turned over to the Kentucky State Treasurer on a pay in voucher.

B. Community Oriented Policing Services Universal Hiring Supplemental Grant

The Boone County Sheriff's office was awarded a Community Oriented Policing Services Universal Hiring Supplement Grant in 2003. During the year ended December 31, 2006, grant funds in the amount of \$6,082 were received, and turned over to the Kentucky State Treasurer on a pay in voucher.

C. Law Enforcement Service Fee Grant

The Boone County Sheriff's office was awarded the Law Enforcement Service Fee Grant. During the year ended December 31, 2006, grant funds in the amount of \$7,523 were received, and turned over to the Kentucky State Treasurer on a pay in voucher.

D. Kentucky Community Preparedness Grant

The Boone County Sheriff's office was awarded a Kentucky Community Preparedness Grant. During the year ended December 31, 2006, grant funds in the amount of \$10,000 were received, and turned over to the Kentucky State Treasurer on a pay in voucher.

E. Edward Byrne Memorial Justice Grant (JAG)

The Boone County Sheriff's office was awarded the Edward Byrne Memorial Justice Assistance Grant (JAG). During the year ended December 31, 2006, grant funds in the amount of \$18,001 were received, and turned over to the Kentucky State Treasurer on a pay in voucher.

Note 6. Kentucky Law Enforcement Foundation Program Fund

The Boone County Sheriff's office participates in the Kentucky Law Enforcement Foundation Training Incentive Program. This program, administered by the Kentucky Justice Cabinet, is designed to adequately train the Sheriff and his officers. During the year, grant funds of \$490,837 were received, and turned over to the Kentucky State Treasurer on a pay in voucher.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Michael A. Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Boone County Sheriff for the year ended December 31, 2006, and have issued our report thereon dated July 11, 2008. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Boone County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boone County Sheriff's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Boone County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 11, 2008

